

**WEST LYON COMMUNITY SCHOOL  
DISTRICT 60**

***FINANCIAL STATEMENTS***  
***JUNE 30, 2004***

# WEST LYON COMMUNITY SCHOOL DISTRICT 60

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**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**SCHOOL DISTRICT OFFICIALS**  
**JUNE 30, 2004**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>BOARD OF EDUCATION</b>		
<b>(Before September 2003 Election)</b>		
Arthur Metzger	President	September 2004
Gib VanHill	Vice President	September 2004
Tony Kerkvliet	Board Member	September 2003
Rob Hage	Board Member	September 2005
Kay Twedt	Board Member	September 2005
<b>(After September 2003 Election)</b>		
Arthur Metzger	President	September 2004
Gib VanHill	Vice President	September 2004
Ken Kerkvliet	Board Member	September 2006
Al Hassebroek	Board Member	September 2005
Kay Twedt	Board Member	September 2005
<b>SCHOOL OFFICIALS</b>		
Ralph Herring	Superintendent	-
Robert Tracy	Secretary/Business Manager	June 30, 2004
Lyle Impecoven	Treasurer	June 30, 2004
Tom Whorley	Attorney	Indefinite



## INDEPENDENT AUDITORS' REPORT

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To the School Board  
**West Lyon Community School District 60**  
Inwood, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **West Lyon Community School District 60**, Inwood, Iowa as of and for the year ended June 30, 2004, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **West Lyon Community School District 60's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **West Lyon Community School District 60**, as of June 30, 2004, the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the School has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 4, 2004 on our consideration of the **West Lyon Community School District 60's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The Management's discussion and analysis and the budgetary comparison information on pages 4 through 13 and 35 through 37) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
August 4, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

West Lyon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- In October 2003, Governor Vilsack was forced to issue an across the board reduction in State payments to schools in the amount of 2.5%. This reduction had a negative impact to the General Fund in the amount of \$72,654. In June of 2004, Governor Vilsack issued Executive Order 36 to rescind ten percent of the October 2003 across-the-board cut. This changed the effective reduction from 2.5% to 2.25% and reduced the impact on the General Fund to \$65,229.
- In December 2003, the citizens of the West Lyon Community School District passed a bond issue in the amount of \$3,800,000. The bond issue called for the construction of an addition to the school site that includes a new gymnasium, new locker rooms, new band rooms, new student commons, new restrooms, as well as the remodeling of a study hall, library, and present gymnasium.
- West Lyon CSD has students residing in both Lyon and Sioux counties. The taxpayers of both of those counties approved a ten year increase in local option sales and services taxes. The sales tax in each county was increased 1% on applicable sales in those counties. The District intends to use the proceeds of this tax to offset future obligations for the previously noted bond issue.
- General Fund revenues decreased from \$5,239,021 in fiscal 2003 to \$5,233,760 in fiscal 2004. General Fund expenditures increased from \$5,312,562 in fiscal 2003 to \$5,378,559 in fiscal 2004. The District's General Fund year end balance decreased \$144,349 or approximately 10.85% in fiscal 2004. Nearly half of that decrease, 45.2%, was attributable to the previously noted 2.25% across-the-board cut in state funding.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits for employees, unanticipated long term absences, and restricted grant expenditures. Even before the State's across-the-board cuts, the district anticipated using its carryover fund balance to support the budgetary expenditures for fiscal 2004. This is because student enrollment trends meant that the district was to receive no "new money" (state and local funding based on student enrollment) for fiscal 2004.
- The District has long held a substantial carryover fund balance. In the past, one positive effect of having this balance was the interest that was received from the investment of these funds. As recently as fiscal 2001, the district received \$48,700 in interest on its investments. Because of a decline in interest rates, the district received \$ 16,638 on the investment of similar dollars.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Lyon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Lyon Community School District's operations in more detail than the Government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Lyon Community School District acts solely as an agent or custodian for the benefit of others.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District. Because the District did not have Federal Awards of more than \$500,000 in fiscal 2004, this Schedule is not included in this report.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

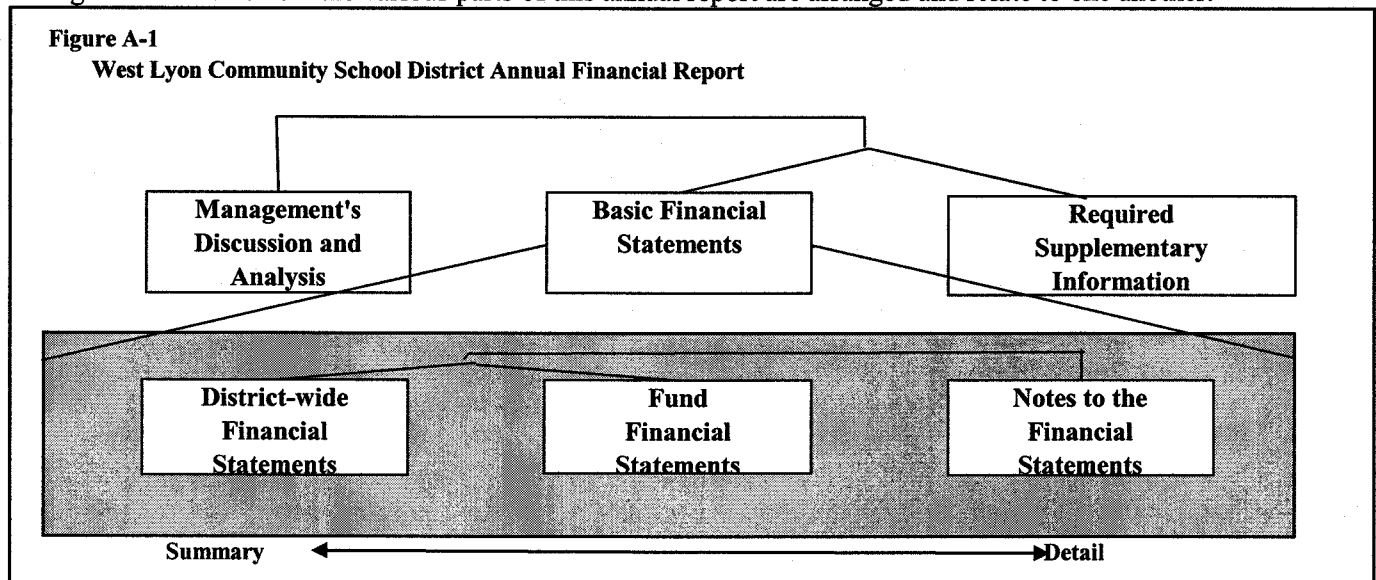


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	<b>Government-wide Statements</b>	<b>Government Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
<b>Required financial Statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets-the difference between the District's assets and liabilities-are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.



In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds-not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

1. *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Funds.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- *Private-Purpose Trust Funds-*The District accounts for outside donations for scholarships for individual students in this fund.

- **Agency Funds**-These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities <u>June 30, 2004</u>	Business type Activities <u>June 30, 2004</u>	Total District <u>June 30, 2004</u>
Current and other assets	\$ 7,782,113	\$ 49,775	\$ 7,831,888
Capital assets	<u>2,031,812</u>	<u>9,445</u>	<u>2,041,257</u>
Total assets	<u>9,813,925</u>	<u>59,220</u>	<u>9,873,145</u>
Long-term liabilities	3,832,510	-	3,832,510
Other liabilities	<u>2,742,671</u>	<u>10,069</u>	<u>2,752,740</u>
Total liabilities	<u>6,575,181</u>	<u>10,069</u>	<u>6,585,250</u>
Net assets:			
Invested in capital assets, net of related debt	2,031,812	9,445	2,041,257
Restricted	75,000	-	75,000
Unrestricted	<u>1,131,932</u>	<u>39,706</u>	<u>1,171,638</u>
Total net assets	<u>\$ 3,238,744</u>	<u>\$ 49,151</u>	<u>\$ 3,287,895</u>

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior year's assets, liabilities, and changes in net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets are a result of budgeted expenditures within the Physical Plant and Equipment Levy Fund.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established on how they can be used. As noted earlier, the District was forced to use more than ten percent of its carryover balance to fund operations in fiscal 2004. Obviously, this had a negative effect on the unrestricted net assets of the District for this fiscal year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Changes in Net Assets**

	<u>Government Activities</u>	<u>Business type Activities</u>	<u>Total District</u>
Revenues:			
Program revenues:			
Charges for services	\$ 17,211	\$ 164,468	\$ 181,679
Operating grants, contributions and restricted interest	712,808	103,706	816,514
General Revenues:			
Property tax	2,112,251	-	2,112,251
Local option sales and service tax	231,442	-	231,442
Unrestricted state grants	2,568,990	-	2,568,990
Unrestricted investment earnings	8,540	251	8,791
Other	39,749	-	39,749
Total revenues	<u>5,690,991</u>	<u>268,425</u>	<u>5,959,416</u>
Program expenses:			
Government activities:			
Instruction	4,122,821	-	4,122,821
Support services	1,171,002	-	1,171,002
Other services	628,573	-	628,573
Non-instructional programs	-	263,268	263,268
Other expenses	489,379	-	489,379
Total expenses	<u>6,411,775</u>	<u>263,268</u>	<u>6,675,043</u>
Change in net assets	<u>\$ (720,784)</u>	<u>\$ 5,157</u>	<u>\$ (715,627)</u>

Property taxes and unrestricted state grants account for more than 86% of the total revenue. The District's expenses primarily relate to instruction and support services which account for more than 83% of the total expenses.

## Governmental Activities

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Government Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,122,821	\$ 3,493,885
Support Services	1,171,002	1,069,919
Other Services	628,573	628,573
Other Expenses	489,379	489,379
Totals	<u>\$ 6,411,775</u>	<u>\$ 5,681,756</u>

- The cost financed by users of the District's programs was \$17,211.
- Federal and state grants subsidized certain programs with grants and contributions totaling \$712,808.
- The net cost of government activities was financed with \$2,343,693 in property and other taxes and \$2,568,990 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$268,425 and expenses were \$263,268. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During fiscal 2004 the district did not increase meal prices. It did, however, have a noticeable increase in the number of breakfasts served to students, a trend that is now three years in the making.

## INDIVIDUAL FUND ANALYSIS

As previously noted, West Lyon Community School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,091,860, well above last year's ending fund balance of \$1,571,016. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to \$3,610,219 of expended general obligation bond proceeds received in fiscal 2004.

## **Governmental Fund Highlights**

- The District's General Fund financial position, though very strong in comparison with most schools in the state, is gradually deteriorating over time. This past fiscal year, the unreserved balance dropped \$144,349 due mainly to the previously mentioned 2.25% across-the-board cut in state aid and appropriations. The District still maintains a healthy \$1,186,023 in unreserved fund equity, however.
- The General Fund cash balance decreased \$154,559 in fiscal 2004, due to the negotiated salary and benefits settlement's over the past several years, the state aid reduction, and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy Fund balance increased by \$49,518, due mainly to reduced expenditures for the year. Revenues remained relatively comparable to previous years for the fund.
- The Capital Projects Fund balance increased due to the sale of \$3,800,000 in general obligation bonds during fiscal 2004. The fund ended the year with a balance of \$3,577,788, consisting primarily of unexpended bond proceeds and local option sales tax revenues which will be expended as the construction project is completed.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$43,994 at June 30, 2003 to \$49,151 at June 30, 2004, representing an increase of 11.72%. The school promoted its breakfast program even more in fiscal 2004 and, as a result, meal participation increased substantially.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Lyon Community School District amended its budget one time, on March 22, 2004. The District did so to reflect additional revenues and expenditures associated with the daily operation of the school.

State revenues in the General Fund were less than expected because of the 2.25% across-the-board cut in state appropriations. The District also received about 40% of the budgeted revenue for interest on investments due to the extremely low rates received during the year. West Lyon was the recipient of two STAR grants that totaled nearly \$50,000. These grants were used to purchase wireless computer labs for the elementary and junior high schools.

Expenditures were less than budgeted primarily due to the District's Capital Projects Fund. At the time of the budget amendment, it was not known how quickly some the expenses would be incurred for the construction project. The District chose to amend the budget in an amount that would prevent it from exceeding its authorized budget. The certified budget was not exceeded in any functional area for fiscal 2004.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$2,031,812, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, A-V equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year is \$436,960.

The original cost of the District's equipment was \$6,270,162. Governmental funds account for \$6,217,464 of that amount and \$52,698 is accounted for in the Proprietary, School Nutrition Fund.

Though the district had little in the way of changes in capital assets for fiscal 2004, a very large change will take place in fiscal 2005 as construction activity related to the \$3,800,000 bond issue that was passed in fiscal 2004 will be completed.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$ 39,494	\$ 39,494	\$ -	\$ -	\$ 39,494	\$ 39,494	0.00%
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Buildings	\$ 1,316,791	\$ 1,372,863	\$ -	\$ -	\$ 1,316,791	\$ 1,372,863	-4.08%
Improvements other than buildings	\$ 72,365	\$ 81,195	\$ -	\$ -	\$ 72,365	\$ 81,195	-10.88%
Furniture and equipment	\$ 603,162	\$ 894,960	\$ 9,445	\$ 11,350	\$ 612,607	\$ 906,310	-32.41%
Totals	\$ 2,031,812	\$ 2,388,512	\$ 9,445	\$ 11,350	\$ 2,041,257	\$ 2,399,862	-14.94%

### Long-term Debt

At June 30, 2004, the District had \$3,832,510 in general obligation and other long-term debt outstanding. This represents a substantial increase from last year when the District had a total of \$44,321 in long-term debt.

In December 2003, the District's voters authorized the issuance of \$3,800,000 in general obligation bonds to pay for construction of a new gymnasium, locker rooms, band rooms, student commons, restrooms, and the remodeling of a study hall, library, and current gymnasium.

The District also has a long-term obligation for early retirement compensation of \$32,510 at the end of fiscal 2004.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General Obligation Bonds	\$3,800,000	\$ -	100%
Early Retirement	32,510	44,321	-27%
Totals	<u>\$3,832,510</u>	<u>\$ 44,321</u>	<u>100%</u>

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could affect its financial health in the future:

- Though the district's recent enrollment declines have plateau, the Class of 2007 is significantly larger than most in the school and will likely not be replaced with a class of similar size. Given funding discussions at the state legislative level, the District could see reduced revenues sometime in the future due to decreased enrollment.
- The District negotiates salary and benefits with the West Lyon Education Association on an annual basis. Total package settlements with the WLEA have been at state average even though the District has seen little or no new money for several years. Because third party arbitrators rarely award compensation packages that are less than state average, it appears that the District will continue to settle at or near state average and, thus, struggle to balance its budget.
- The District has a fairly tenured staff. Many have indicated that retirement may be in their near future (1-5 years). The District will have hard choices to make in determining whether or not to replace these teachers or increase class sizes.
- While the District was very fortunate to pass a much needed bond issue, additional pressure will be placed on the General Fund as increased costs to operate the building must be included in future budgets.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Tracy, District Secretary and Business Manager, West Lyon Community School District, 1787 182N Street, Inwood, IA 51240.

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents			
ISJIT	\$ 3,518,453	\$ -	\$ 3,518,453
Other	2,049,191	44,530	2,093,721
Receivables			
Property tax:			
Delinquent	37,315	-	37,315
Succeeding year	2,014,665	-	2,014,665
Accounts	5,639	-	5,639
Accrued interest:			
ISJIT	7,181	-	7,181
Other	2,196	-	2,196
Due from other governments	147,473	-	147,473
Inventories	-	5,245	5,245
Capital assets, net of accumulated depreciation	2,031,812	9,445	2,041,257
<b>TOTAL ASSETS</b>	<b>\$ 9,813,925</b>	<b>\$ 59,220</b>	<b>\$ 9,873,145</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 92,558	\$ 534	\$ 93,092
Salaries and benefits payable	557,059	3,255	560,314
Deferred revenue-succeeding year property tax	2,014,665	-	2,014,665
Deferred revenue-other	-	6,280	6,280
Due to other governments	25,971	-	25,971
Accrued interest payable	52,418	-	52,418
Long-term liabilities			
Due within one year	160,810	-	160,810
Due in more than one year	3,671,700	-	3,671,700
<b>TOTAL LIABILITIES</b>	<b>6,575,181</b>	<b>10,069</b>	<b>6,585,250</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,031,812	9,445	2,041,257
Restricted for:			
Physical plant and equipment levy	75,000	-	75,000
Unrestricted	1,131,932	39,706	1,171,638
<b>TOTAL NET ASSETS</b>	<b>3,238,744</b>	<b>49,151</b>	<b>3,287,895</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,813,925</b>	<b>\$ 59,220</b>	<b>\$ 9,873,145</b>



**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>			
Instruction:			
Regular instruction	\$ 2,723,798	\$ 17,211	\$ 413,343
Special instruction	710,737		145,226
Other instruction	688,286		53,156
	<u>4,122,821</u>	<u>17,211</u>	<u>611,725</u>
Support services:			
Student services	167,206	-	29,902
Instructional staff services	39,802	-	28,638
Administration services	211,839	-	(450)
Operation and maintenance of plant services	381,863	-	-
Transportation services	370,292	-	42,993
	<u>1,171,002</u>	<u>-</u>	<u>101,083</u>
Other services:	<u>628,573</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Long-term debt interest	52,418		-
Depreciation (unallocated)	436,961		-
	<u>489,379</u>	<u>-</u>	<u>-</u>
Total governmental activities	6,411,775	17,211	712,808
<b>Business type activities:</b>			
Non-instructional programs:			
Food service operations	263,268	164,468	103,706
Total	<u>\$ 6,675,043</u>	<u>\$ 181,679</u>	<u>\$ 816,514</u>
<b>General revenues:</b>			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sale and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,293,244)	\$ -	\$ (2,293,244)
(565,511)	-	(565,511)
(635,130)	-	(635,130)
<u>(3,493,885)</u>	<u>-</u>	<u>(3,493,885)</u>
(137,304)	-	(137,304)
(11,164)	-	(11,164)
(212,289)	-	(212,289)
(381,863)	-	(381,863)
(327,299)	-	(327,299)
<u>(1,069,919)</u>	<u>-</u>	<u>(1,069,919)</u>
<u>(628,573)</u>	<u>-</u>	<u>(628,573)</u>
(52,418)	-	(52,418)
(436,961)	-	(436,961)
<u>(489,379)</u>	<u>-</u>	<u>(489,379)</u>
(5,681,756)	-	(5,681,756)
-	4,906	4,906
<u>\$ (5,681,756)</u>	<u>\$ 4,906</u>	<u>\$ (5,676,850)</u>
\$ 1,958,726	\$ -	\$ 1,958,726
80,332	-	80,332
73,193	-	73,193
231,442	-	231,442
2,568,990	-	2,568,990
8,540	251	8,791
39,749	-	39,749
<u>4,960,972</u>	<u>251</u>	<u>4,961,223</u>
(720,784)	5,157	(715,627)
3,959,528	43,994	4,003,522
<u>\$ 3,238,744</u>	<u>\$ 49,151</u>	<u>\$ 3,287,895</u>

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2004**

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments:					
ISJIT	\$ 4,816	\$ -	\$ 3,504,099	\$ 9,538	\$ 3,518,453
Other	1,628,534	18,242	106,120	296,295	2,049,191
Receivables:					
Property tax:					
Delinquent	34,607	-	-	2,708	37,315
Succeeding year	1,586,492	286,178	-	141,995	2,014,665
Accounts	3,759	-	-	1,880	5,639
Accrued interest:					
ISJIT	-	-	7,181	-	7,181
Other	2,052	-	-	144	2,196
Due from other governments	109,183	-	38,290	-	147,473
<b>Total assets</b>	<b>\$ 3,369,443</b>	<b>\$ 304,420</b>	<b>\$ 3,655,690</b>	<b>\$ 452,560</b>	<b>\$ 7,782,113</b>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ 13,898	\$ -	\$ 77,902	\$ 758	\$ 92,558
Salaries and benefits payable	557,059	-	-	-	557,059
Due to other governments	25,971	-	-	-	25,971
Deferred revenue:					
Succeeding year property tax	1,586,492	286,178	-	141,995	2,014,665
Total liabilities	2,183,420	286,178	77,902	142,753	2,690,253
Fund Balances:					
Reserved for debt service	-	18,242	-	-	18,242
Unreserved	1,186,023	-	3,577,788	309,807	5,073,618
Total fund balances	1,186,023	18,242	3,577,788	309,807	5,091,860
<b>Total liabilities and fund balances</b>	<b>\$ 3,369,443</b>	<b>\$ 304,420</b>	<b>\$ 3,655,690</b>	<b>\$ 452,560</b>	<b>\$ 7,782,113</b>

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

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**Total fund balances of governmental funds (page 16)** \$ 5,091,860

*Amounts reported for governmental activities in the  
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported as assets in the governmental funds. 2,031,812

Accrued interest payable on long-term liabilities is not due and payable in the  
current period and, therefore, is not reported as a liability in the governmental funds.  
funds. (52,418)

Long-term liabilities, including bonds and notes payable and compensated  
absences, are not due and payable in the current period and, therefore, are not  
reported in the funds. (3,832,510)

**Net assets of governmental activities** \$ 3,238,744

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2004**

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 1,972,512	\$ -	\$ 117,944	\$ 138,272	\$ 2,228,728
Other	121,978	-	-	192,719	314,697
State sources	2,864,845	-	-	98	2,864,943
Federal sources	274,425	107	-	-	274,532
Interest income	-	8,540	-	-	8,540
Total revenues	<u>5,233,760</u>	<u>8,647</u>	<u>117,944</u>	<u>331,089</u>	<u>5,691,440</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	2,774,615	-	-	232,972	3,007,587
Special instruction	612,352	-	-	-	612,352
Other instruction	502,882	-	-	-	502,882
	<u>3,889,849</u>	<u>-</u>	<u>-</u>	<u>232,972</u>	<u>4,122,821</u>
Support services:					
Student services	147,045	-	-	-	147,045
Instructional staff services	32,694	-	-	-	32,694
Administration services	443,620	-	-	-	443,620
Operation and maintenance of plant services	336,454	-	-	13,670	350,124
Transportation services	290,490	-	-	-	290,490
	<u>1,250,303</u>	<u>-</u>	<u>-</u>	<u>13,670</u>	<u>1,263,973</u>
Other expenditures:					
Facilities acquisition	-	-	340,156	18,188	358,344
Management fund	-	-	-	31,822	31,822
AEA flowthrough	238,407	-	-	-	238,407
	<u>238,407</u>	<u>-</u>	<u>340,156</u>	<u>50,010</u>	<u>628,573</u>
Total expenditures	<u>5,378,559</u>	<u>-</u>	<u>340,156</u>	<u>296,652</u>	<u>6,015,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(144,799)</u>	<u>8,647</u>	<u>(222,212)</u>	<u>34,437</u>	<u>(323,927)</u>
Other financing sources (uses):					
General obligation bonds issued	-	-	3,800,000	-	3,800,000
Sale of equipment	450	-	-	-	450
Total other financing sources (uses)	<u>450</u>	<u>-</u>	<u>3,800,000</u>	<u>-</u>	<u>3,800,450</u>
Net change in fund balances	(144,349)	8,647	3,577,788	34,437	3,476,523
Fund balances beginning of year (as restated)	1,330,372	9,595	-	275,370	1,615,337
Fund balances end of year	<u>\$ 1,186,023</u>	<u>\$ 18,242</u>	<u>\$ 3,577,788</u>	<u>\$ 309,807</u>	<u>\$ 5,091,860</u>

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT**  
**OF ACTIVITIES**  
**JUNE 30, 2004**

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Net change in fund balances - total governmental funds	\$ 3,476,523
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*Amounts reported for governmental activities in the statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 84,349	
Proceeds on sales	(450)	
Loss on sale	(3,639)	
Depreciation expense	<u>(436,961)</u>	(356,701)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(3,800,000)	
Repaid	<u>-</u>	(3,800,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(52,418)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>11,812</u>
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Change in net assets of governmental activities	<u><u>\$ (720,784)</u></u>
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**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2004**

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 44,530
Inventories	5,245
Capital assets, net of accumulated depreciation	<u>9,445</u>
Total assets	<u>59,220</u>
<b>Liabilities</b>	
Accounts payable	534
Salaries and benefits payable	3,255
Deferred revenue	<u>6,280</u>
Total liabilities	<u>10,069</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	9,445
Unrestricted	<u>39,706</u>
Total net assets	<u>\$ 49,151</u>

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2004**

	School Nutrition
Operating revenues:	
Local sources:	
Sale of lunches	\$ 157,908
Miscellaneous	6,560
Total operating revenues	<u>164,468</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	122,640
Supplies	105,165
Other	10,415
Depreciation	1,906
Federal food commodities used	23,142
Total operating expenses	<u>263,268</u>
Operating loss	<u>(98,800)</u>
Non-operating revenues:	
State sources	4,191
Federal sources	99,515
Interest income	251
Total non-operating revenues	<u>103,957</u>
Change in net assets	5,157
Net assets beginning of year	<u>43,994</u>
Net assets end of year	<u>\$ 49,151</u>



**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**JUNE 30, 2004**

	School Nutrition
Cash flows used for operating activities:	
Cash received from sale of lunches and breakfasts	\$ 157,694
Cash received from miscellaneous operating activities	6,561
Cash paid to employees for services	(122,474)
Cash paid to suppliers for goods or services	(120,296)
Net cash used for operating activities	<u>(78,515)</u>
Cash flows from non-capital financing activities:	
State grants received	4,191
Federal grants received	80,566
Net cash used for non-capital financing activities:	<u>84,757</u>
Cash flows from investing activities:	
Interest on investments	251
Net cash from investment activities	<u>251</u>
Net increase in cash and cash equivalents	<u>6,493</u>
Cash and cash equivalents at beginning of year	<u>38,037</u>
Cash and cash equivalents at end of year	<u>\$ 44,530</u>
<b>Reconciliation of operating loss to net cash used by</b>	
<b>operating activities:</b>	
Operating loss	\$ (98,800)
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	1,906
Commodities used	23,142
(Increase) in inventories	(684)
Increase in accounts payable	161
Increase in salaries and benefits payable	167
(Decrease) in deferred revenue	<u>(4,407)</u>
Net cash used for operating activities	<u>\$ (78,515)</u>

**Noncash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$18,949 of federal commodities.

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The **West Lyon Community School District 60** is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Inwood, Larchwood, Lester and Alvord, Iowa and the predominate agricultural territory surrounding such in Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for School Districts through its pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

In June 1999, the Government Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the District's activities, including depreciation of property and equipment.
- A change in the fund financial statements to focus on the major funds.

These changes are reflected in the accompanying financial statements (including notes to financial statements).

**A. Reporting Entity**

For financial reporting purposes, **West Lyon Community School District 60** has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The **West Lyon Community School District 60** has no component units that meet the Governmental Accounting Standards Board criteria.

## NOTES TO FINANCIAL STATEMENTS

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### ***B. Basis of Presentation, Basis of Accounting***

#### Basis of Presentation:

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities report information on all the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The funds of the financial reporting entity are described below:

#### Governmental Funds:

*General Fund:* The General Fund is the general operating fund of the District. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

*Special Revenue Funds:* Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Student Activity, Physical Plant and Equipment Levy, and Management Funds are the special revenue funds, maintained by the District.

## NOTES TO FINANCIAL STATEMENTS

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*Debt Service Funds:* Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

*Capital Projects Funds:* Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The Facility Equity Fund is the only capital projects fund maintained by the District.

### Proprietary Funds:

*Enterprise Funds:* Enterprise funds are financed and operated in a manner similar to private business enterprises. The enterprise fund is used to account for the operations of the food service program for the students and faculty of the District, financed primarily through meal sales and federal reimbursement.

### **C. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

In the fund financial statements, the governmental funds are reported using the current financial resources, measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the District funds certain grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

## NOTES TO FINANCIAL STATEMENTS

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Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries in the cash basis financial records.

### ***D. Assets, Liabilities and Fund Equity***

The following accounting policies are followed in preparing the combined balance sheet:

#### *Cash, Pooled Investments and Cash Equivalents:*

The balances of most District funds are pooled and invested. Investments are stated at amortized cost, which approximates market. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

#### *Property Tax Receivable:*

Property tax in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized in these funds on the lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the tax asking and budget certified for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied. The property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2002, assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

#### *Due From Other Governments:*

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

#### *Inventories:*

Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

## NOTES TO FINANCIAL STATEMENTS

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### Capital Assets:

Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

### Salaries and Benefits Payable:

Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

### Deferred Revenue:

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end. Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it was levied.

## NOTES TO FINANCIAL STATEMENTS

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### Compensated Absences:

District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Vacation hours earned must be used by the end of the District's fiscal year or the hours are forfeited. Also, accumulated sick leave is forfeited upon termination, death or retirement. Accordingly, the District has not recorded a liability at June 30, 2004, for unused sick leave.

### Long-Term Liabilities:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

### Fund Equity:

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

### Restricted Net Assets:

In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

## **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## **NOTE 2 - CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2004, the District had investments in the Iowa Schools Joint Investment Trust, which were valued at an amortized cost of \$3,518,454 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

<u>Governmental Activities:</u>	<u>Balance 07/01/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/04</u>
Capital assets not being depreciated:				
Land	\$ 39,494	\$ -	\$ -	\$ 39,494
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>39,494</u>	<u>-</u>	<u>-</u>	<u>39,494</u>
Capital assets being depreciated:				
Buildings	2,803,579	-	-	2,803,579
Improvements other than buildings	342,500	-	-	342,500
Machinery and equipment	3,005,123	84,349	57,581	3,031,891
Total capital assets being depreciated	<u>6,151,202</u>	<u>84,349</u>	<u>57,581</u>	<u>6,177,970</u>
Less accumulated depreciation for:				
Buildings	1,430,716	56,072	-	1,486,788
Improvements other than buildings	261,305	8,830	-	270,135
Machinery and equipment	2,110,163	372,058	53,492	2,428,729
Total accumulated depreciation	<u>3,802,184</u>	<u>436,960</u>	<u>53,492</u>	<u>4,185,652</u>
Total capital assets being depreciated, net	<u>2,349,018</u>	<u>(352,611)</u>	<u>4,089</u>	<u>1,992,318</u>
Governmental activities capital assets, net	<u>\$ 2,388,512</u>	<u>\$ (352,611)</u>	<u>\$ 4,089</u>	<u>\$ 2,031,812</u>
 <u>Business Type Activities:</u>	 <u>Balance 07/01/03</u>	 <u>Increases</u>	 <u>Decreases</u>	 <u>Balance 06/30/04</u>
Furniture and equipment	\$ 52,698	\$ -	\$ -	\$ 52,698
Less accumulated depreciation	<u>41,348</u>	<u>1,905</u>	<u>-</u>	<u>43,253</u>
Business type activities capital assets, net	<u>\$ 11,350</u>	<u>\$ 1,905</u>	<u>\$ -</u>	<u>\$ 9,445</u>



## NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to the governmental activities:

Instruction:

Regular \$ 122,149

Special 2,712

Other

Support Services:

Instructional staff 88,588

Administration 9,610

Operation and maintenance of plant 80

Transportation 4,147

227,286

209,675

Unallocated

Total depreciation expense - governmental \$ 436,961

Business type activities:

Food service operations \$ 1,905

### NOTE 4 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance 07/01/03	Increases	Decreases	Balance 06/30/04	Due in One Year
General obligation bonds	\$ -	\$ 3,800,000	\$ -	\$ 3,800,000	\$ 150,000
Early retirement	44,321	563	(12,374)	32,510	10,810
	<u>\$ 44,321</u>	<u>\$ 3,800,563</u>	<u>\$ (12,374)</u>	<u>\$ 3,832,510</u>	<u>\$ 160,810</u>

#### Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay, and subject to a maximum of \$20,000 per individual. Early retirement benefits paid during the year ended June 30, 2004, totaled \$12,374. The cost of early retirement payments expected to be liquidated currently is recorded as a liability in the General Fund. A liability has been recorded in the Government Statement of Net Assets representing the District's commitment to fund non-current early retirement, which has been discounted using an interest rate of five percent.

## NOTES TO FINANCIAL STATEMENTS

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### General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Bond Issue of February 1, 2004			
	Interest Rates	Principal	Interest
2005	2.00%	\$ 150,000	\$ 178,220
2006	2.00%	150,000	130,665
2007	2.00%	155,000	127,665
2008	2.50%	160,000	124,565
2009	2.75%	160,000	120,565
2010-2014	3.00-3.50%	895,000	525,705
2015-2019	3.60-4.05%	1,080,000	356,140
2020-2023	4.15-4.40%	1,050,000	116,358
		<u>\$ 3,800,000</u>	<u>\$ 1,679,884</u>

### **NOTE 5 - PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$183,197, \$180,278, and \$183,707, respectively, equal to the required contributions for each year.

### **NOTE 6 - RISK MANAGEMENT**

West Lyon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. There were no reductions in insurance coverage from the prior year. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 - AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$238,407 for the year ended June 30, 2004, and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

### NOTE 8 - CONSTRUCTION COMMITMENT

The District has entered into a contract totaling \$3,660,802 for the construction of a remodeling project. As of June 30, 2004, costs of \$256,688 had been incurred against the contract. The balance of \$3,404,114 remaining at June 30, 2004 will be paid as work on the project progresses.

### NOTE 9 - ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule- Perspective Differences, were implemented for the year ended June 30, 2004. The statement creates new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

## NOTES TO FINANCIAL STATEMENTS

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				
	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$1,286,051	\$ 9,595	\$ -	\$ 275,370	\$ 1,571,016
GASB Interpretation 6 adjustments	44,321	-	-	-	44,321
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 1,330,372</u>	<u>\$ 9,595</u>	<u>\$ -</u>	<u>\$ 275,370</u>	1,615,337
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$440,028					2,388,512
Long-term liabilities:					
Early retirement					<u>(44,321)</u>
Net assets July 1, 2003, as restated					<u>\$ 3,959,528</u>

### NOTE 10 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the West Lyon Community School District 60. The statements, which might impact the West Lyon Community School District 60, are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures* issued March 2003, will be effective for the District for the fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the District for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the District for the fiscal year ending June 30, 2009. This statement establishes uniform financial reporting standards for other post employment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

## NOTES TO FINANCIAL STATEMENTS

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Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the District for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the District for the fiscal year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**

***REQUIRED SUPPLEMENTARY INFORMATION***

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES**  
**IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS**  
**AND PROPRIETARY FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2004**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,490,069	\$ 164,506
State sources	2,867,511	4,191
Federal sources	266,931	95,322
Total receipts	<u>5,624,511</u>	<u>264,019</u>
Disbursements:		
Instruction	4,115,210	-
Support services	1,296,745	-
Non-Instructional programs	-	257,527
Other expenditures	518,850	-
Total disbursements	<u>5,930,805</u>	<u>257,527</u>
Deficiency of receipts under disbursements	(306,294)	6,492
Other financing sources, net	<u>3,808,990</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,502,696	6,492
Balances beginning of year	<u>2,064,947</u>	<u>38,037</u>
Balances end of year	<u>\$ 5,567,643</u>	<u>\$ 44,529</u>

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Total Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	
\$ 2,654,575	\$ 2,601,927	\$ 2,706,765	\$ (52,190)
2,871,702	2,984,293	2,952,965	(81,263)
362,253	313,471	321,302	40,951
<u>5,888,530</u>	<u>5,899,691</u>	<u>5,981,032</u>	<u>(92,502)</u>
			-
			-
4,115,210	4,102,264	4,280,996	(165,786)
1,296,745	1,333,315	1,377,162	(80,417)
257,527	261,124	280,124	(22,597)
518,850	270,536	1,302,536	(783,686)
<u>6,188,332</u>	<u>5,967,239</u>	<u>7,240,818</u>	<u>(1,052,486)</u>
(299,802)	(67,548)	(1,259,786)	959,984
<u>3,808,990</u>	<u>-</u>	<u>-</u>	<u>3,808,990</u>
3,509,188	(67,548)	(1,259,786)	4,768,974
<u>2,102,984</u>	<u>2,134,662</u>	<u>1,781,469</u>	<u>321,515</u>
<u>\$ 5,612,172</u>	<u>\$ 2,067,114</u>	<u>\$ 521,683</u>	<u>\$ 5,090,489</u>



**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2004**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 5,633,051	\$ 58,389	\$ 5,691,440
Expenditures	5,930,805	84,562	6,015,367
Net	(297,754)	(26,173)	(323,927)
Other financing sources, net	3,800,450	-	3,800,450
Beginning fund balances	2,064,947	(449,610)	1,615,337
Ending fund balances	<u>\$ 5,567,643</u>	<u>\$ (475,783)</u>	<u>\$ 5,091,860</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 264,019	\$ 4,407	\$ 268,426
Expenditures	257,527	5,742	263,269
Net	6,492	(1,335)	5,157
Beginning fund balances	38,037	5,957	43,994
Ending fund balances	<u>\$ 44,529</u>	<u>\$ 4,622</u>	<u>\$ 49,151</u>

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**JUNE 30, 2004**

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In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the instruction and support services functions did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**

***OTHER SUPPLEMENTARY INFORMATION***

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2004**

	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments:				
ISJIT	\$ -	\$ -	\$ 9,538	\$ 9,538
Other	56,636	23,818	215,841	296,295
Receivables:				
Property tax:				
Delinquent	-	1,288	1,420	2,708
Succeeding year	-	85,438	56,557	141,995
Accounts	1,880	-	-	1,880
Accrued interest:				
ISJIT	-	-	144	144
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 58,516</b>	<b>\$ 110,544</b>	<b>\$ 283,500</b>	<b>\$ 452,560</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 758	\$ -	\$ -	\$ 758
Deferred revenue:				
Succeeding year property tax	-	85,438	56,557	141,995
Total liabilities	<u>758</u>	<u>85,438</u>	<u>56,557</u>	<u>142,753</u>
Fund balances:				
Reserved for truck repair	-	-	75,000	75,000
Unreserved	57,758	25,106	151,943	234,807
Total fund balances	<u>57,758</u>	<u>25,106</u>	<u>226,943</u>	<u>309,807</u>
<b>Total liabilities and fund balances</b>	<b>\$ 58,516</b>	<b>\$ 110,544</b>	<b>\$ 283,500</b>	<b>\$ 452,560</b>

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2004**

	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ -	\$ 72,351	\$ 65,921	\$ 138,272
Other	190,707	273	1,739	192,719
State sources	-	52	46	98
Federal sources	-	-	-	-
Total revenues	<u>190,707</u>	<u>72,676</u>	<u>67,706</u>	<u>331,089</u>
<b>Expenditures:</b>				-
Current:				-
Instruction:				
Regular instruction	-	32,657	-	32,657
Special instruction	-	-	-	-
Other instruction	200,315	-	-	200,315
Support services:				-
Administration services	-	13,670	-	13,670
Other expenditures:				
Facilities acquisition	-	-	18,188	18,188
Management fund	-	31,822	-	31,822
Total expenditures	<u>200,315</u>	<u>78,149</u>	<u>18,188</u>	<u>296,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,608)</u>	<u>(5,473)</u>	<u>49,518</u>	<u>34,437</u>
Fund balances beginning of year	<u>67,366</u>	<u>30,579</u>	<u>177,425</u>	<u>275,370</u>
Fund balances end of year	<u>\$ 57,758</u>	<u>\$ 25,106</u>	<u>\$ 226,943</u>	<u>\$ 309,807</u>

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**YEAR ENDED JUNE 30, 2004**

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
System wide athletics	\$ 35,091	\$ 30,587	\$ 34,599	\$ 31,079
Baseball	-	687	687	-
Softball	-	231	231	-
Golf	-	48	48	-
Track	4	4,331	4,334	-
Volleyball	-	2,155	2,047	108
Football	1,182	18,110	18,630	662
Basketball	42	12,349	11,610	780
Wrestling	-	3,428	3,428	-
Cross country	-	501	275	226
Vocal music	3,065	2,064	2,592	2,537
Student council	226	2,197	1,680	743
FFA	6,299	71,687	73,686	4,301
Annual	1,489	11,355	12,843	-
Class of 2008	384	316	293	407
Class of 2009	-	21	-	21
Class of 2003	142	84	120	106
Class of 2004	382	1,566	1,947	1
Class of 2005	451	15,794	14,302	1,944
Class of 2006	293	71	20	344
Class of 2007	72	179	136	115
Industrial arts	793	1,009	1,133	669
Speech	3,373	3,084	4,626	1,831
Library fund	388	11	29	370
National Honor Society	334	401	180	556
Band	1,846	3,818	3,539	2,124
FLA	1,629	-	-	1,629
Cheerleaders	-	-	-	-
NWIMBI	303	-	-	303
Elementary annual	9,580	4,626	7,303	6,903
	<u>\$ 67,367</u>	<u>\$ 190,707</u>	<u>\$ 200,315</u>	<u>\$ 57,758</u>

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**YEAR ENDED JUNE 30, 2004**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Revenues:</b>				
Local sources:				
Local tax	\$2,228,728	2,055,340	1,931,092	1,642,911
Other	314,697	204,016	223,304	254,315
State sources	2,864,943	2,935,666	2,956,045	3,034,961
Federal sources	274,532	322,976	281,977	261,469
Interest	8,540	-	-	-
 Total	<u>\$5,691,440</u>	<u>5,517,998</u>	<u>5,392,418</u>	<u>5,193,656</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$3,007,587	2,635,170	2,676,494	2,547,210
Special instruction	612,352	638,250	545,807	537,466
Other instruction	502,882	686,958	716,271	711,124
Support services:				
Student services	147,045	144,222	182,048	171,340
Instructional staff services	32,694	42,043	44,116	78,009
Administration services	443,620	445,577	422,211	412,166
Operation and maintenance of plant services	350,124	332,767	334,838	332,187
Transportation services	290,490	327,672	331,842	333,659
Other expenditures:				
Facilities acquisition	358,344	16,662	111,988	48,274
Management fund	31,822	37,634	-	-
Long-term debt:				
Principal	-	155,000	150,000	140,000
Interest and fiscal charges	-	7,120	13,645	19,665
AEA flowthrough	238,407	254,309	255,717	264,088
 Total	<u>\$6,015,367</u>	<u>5,723,384</u>	<u>5,784,977</u>	<u>5,595,188</u>



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the School Board  
**West Lyon Community School District 60**  
Inwood, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **West Lyon Community School District 60**, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of **West Lyon Community School District 60**. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs in Part I.

PEOPLE. PRINCIPLES. POSSIBILITIES.

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe the reportable condition described above is not a material weakness. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of **West Lyon Community School District 60** and other parties to whom **West Lyon Community School District 60**, may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of **West Lyon Community School District 60**, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
August 4, 2004

**WEST LYON COMMUNITY SCHOOL DISTRICT 60**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2004**

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**PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

*INSTANCES OF NON-COMPLIANCE*

No matters were reported.

*REPORTABLE CONDITIONS*

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible.

In the General Fund we noted that the person receiving checks and cash also prepared the bank deposit and posted the amounts in the general ledger.

In the School Nutrition Fund we noted that the person receiving the cash also prepared the bank deposit and posted the amounts in the general ledger.

In the School Activity Fund we noted that the person receiving the cash also prepared the bank deposit and was responsible for posting amounts to a receipts listing.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives and implement if feasible.

**PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

*II-A-01 Official Depositories*

The District has approved official depositories. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004

*II-B-01 Certified Budget*

Disbursements for the year ended June 30, 2004 did not exceed the amount budgeted.

*II-C-01 Questionable Disbursements*

We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

*II-D-01 Travel Expense*

No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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### *II-E-01 Business Transactions*

No business transactions between the District and District officials or employees were noted, except as disclosed in the notes to financial statements.

### *II-F-01 Bond Coverage*

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage appears adequate for current operations.

### *II-G-01 Board Minutes*

We noted no transactions, requiring Board approval, which had not been approved by the Board.

### *II-H-01 Certified Enrollment*

We noted no variances in the basic enrollment data certified to the Department of Education.

### *II-I-01 Deposits and Investments*

We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

### *II-J-01 Certified Annual Report*

The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

### *II-K-01 Student Activity Fund*

The Student Activity Funds had no deficit balances at June 30, 2004.